

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONVILLE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-057  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006

MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONVILLE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006

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AUDIT STAFF

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AUDIT REPORT NUMBER

#08-057

MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONVILLE, CALIFORNIA

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CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Frank Wyant, President  
Board of Directors  
Mendocino County Fair and Apple Show  
P.O. Box 458  
14400 Highway 128  
Boonville, California 95415

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the Mendocino County Fair and Apple Show, Boonville, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the Mendocino County Fair and Apple Show's management. Our responsibility is to express an opinion on these financial statements based on our audits.

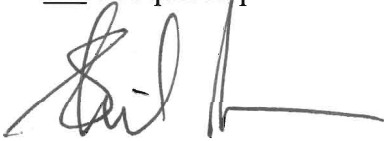
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mendocino County Fair and Apple Show, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Mendocino County Fair and Apple Show has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-057, on the Mendocino County Fair and Apple Show's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the Mendocino County Fair and Apple Show as appropriate. This additional report, however, is not a required part of the basic financial statements.



For Ron Shackelford, CPA  
Chief, Audit Office

May 30, 2008

**MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONEVILLE, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION  
December 31, 2007 and 2006**

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>			
Cash in Bank	111 - 117	\$ 260,268	\$ 217,083
Accounts Receivable, NeT	131	75	9,291
Construction in Progress	190	-	61,764
Equipment, Net	193	4,420	6,630
Leasehold Improvements, Net	194	895,878	685,749
<b>TOTAL ASSETS</b>		<b><u>1,160,641</u></b>	<b><u>980,517</u></b>
<b>LIABILITIES AND NET RESOURCES</b>			
<b>Liabilities and Other Credits</b>			
Accounts Payable	212	1,030	960
Deferred Income	228	21,889	17,942
Guaranteed Deposits	241	400	1,461
Compensated Absences Liability	245	15,053	7,632
<b>Total Liabilities and Other Credits</b>		<b><u>38,372</u></b>	<b><u>27,995</u></b>
<b>Net Resources</b>			
Net Resources - Operations	291	221,971	198,379
Net Resources - Capital Assets, Less Related Debt	291.1	900,298	754,143
<b>Total Net Resources Available</b>		<b><u>1,122,268</u></b>	<b><u>952,522</u></b>
<b>TOTAL LIABILITIES AND NET RESOURCES</b>		<b><u>\$ 1,160,641</u></b>	<b><u>\$ 980,517</u></b>

**MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONEVILLE, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY  
December 31, 2007 and 2006

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
<b>REVENUE</b>			
State Apportionments	312	180,000	\$ 180,000
Project Fund	319	263,501	59,244
Other Government Non-F&E	330	-	(3,045)
Other	340	40,000	9,912
Admissions	410	67,394	68,383
Commercial Space	415	12,750	12,525
Carnival	421	32,000	26,000
Food Concessions	422	28,324	28,768
Exhibits	430	6,094	5,797
Horse Show	440	901	743
Attractions - Fair Time	460	-	-
Miscellaneous Fair	470	77,447	51,767
Non-Fair Revenue	480	64,714	58,011
Prior Year Revenue Adjustment	490	(24,817)	(149,535)
Other Revenue	495	5,108	4,679
<b>Total Revenue</b>		<u><b>753,415</b></u>	<u><b>353,249</b></u>
<b>EXPENSES</b>			
Administration	500	150,555	137,441
Maintenance and Operations	520	157,113	140,440
Publicity	540	8,026	6,957
Attendance	560	12,067	12,385
Miscellaneous Fair	570	32,216	32,958
Premiums	580	33,981	33,959
Exhibits	630	33,010	22,780
Judges Supplies	640	225	250
Attractions - Fairtime	660	19,650	21,199
Equipment	723	394	891
Prior Year Adjustments	800	29,263	(9,634)
Cash Over/Short from Ticket Sales	850	-	120
Depreciation Expense	900	49,915	49,050
Capital Expenditures, Reimbursed	945	57,253	3,542
<b>Total Expenses</b>		<u><b>583,668</b></u>	<u><b>452,338</b></u>
<b>RESOURCES</b>			
Net Change - Income / (Loss)		169,746	(99,089)
Resources Available, January 1		952,522	1,051,611
<b>Resources Available, December 31</b>		<u><b>1,122,268</b></u>	<u><b>\$ 952,522</b></u>

**MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONEVILLE, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS  
December 31, 2007 and 2006**

	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of Revenue Over Expenses (Expenses Over Revenue)	169,746	\$ (99,089)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	9,216	-
Increase (Decrease) in Deferred Income	3,947	(9,699)
Increase (Decrease) in Accounts Payable	70	960
Increase (Decrease) in Compensated Absence Liability	7,421	274
Increase (Decrease) in Guaranteed Deposits	(1,061)	961
Total Adjustments	<u>19,593</u>	<u>(7,504)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>189,339</b></u>	<u><b>(106,593)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) Decrease in Construction in Progress	61,764	127,985
(Increase) Decrease in Leaseholds & Improvements, Net	(210,129)	(6,006)
(Increase) Decrease in Equipment, Net	<u>2,210</u>	<u>(274)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u><b>(146,155)</b></u>	<u><b>121,705</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
<b>Net Cash Provided (Used) by Financing Activities</b>	<u><b>-</b></u>	<u><b>-</b></u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>43,184</b>	<b>15,112</b>
Cash at Beginning of Year	217,083	201,971
<b>CASH AT END OF YEAR</b>	<u><u><b>260,268</b></u></u>	<u><u><b>\$ 217,083</b></u></u>



**MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONVILLE, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2007 and 2006

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - The Mendocino County Fair and Apple Show (Fair), is a DBA for the California non-profit cooperative corporation, Anderson Valley Apple Show and Fair that was incorporated on November 1, 1926. The Fair holds an annual county fair and maintains the grounds for other uses during the year.

On July 18, 2006, the Fair entered into an agreement with the County of Mendocino to hold and conduct an annual fair on the grounds owned by the County on dates selected and designated by the Board of Supervisors. The County will provide insurance coverage with a minimum coverage of five million (\$5,000,000) combined bodily injury and property damage liability. The terms of the agreement is five (5) years ending December 31, 2011, unless terminated sooner by written notice by either party. Notice must be given prior to the first day of the next year.

The State of California allocates funds annually to the Fair to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the Fair conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The Fair's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The Fair's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America

requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – No provision is made for income taxes. The Fair is a non-profit, tax-exempt organization under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 2370(d). All programs operated by the Fair are exempt from income taxes.

Cash and Cash Equivalents - The Fair's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the Fair approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the Fair is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax on all of the Fair’s sales of merchandise. The Fair collects that sales tax from customers and remits the entire amount to the state Board of Equalization. The Fair’s accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

**NOTE 2      CASH AND CASH EQUIVALENTS**

The following list of cash and cash equivalents were held by the Fair as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash & Change Fund	\$        20	\$        20
Cash in Bank - Operating	62,776	27,598
Cash in Bank – Time Deposits	<u>197,472</u>	<u>189,465</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 260,268</u></u>	 <u><u>\$ 217,083</u></u>

**NOTE 3      ACCOUNTS RECEIVABLE**

The Fair is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable	\$ 10,752	\$ 10,496
Allowance for Doubtful Accounts	<u>(10,677)</u>	<u>(1,205)</u>
 Accounts Receivable - Net	 <u><u>\$ 75</u></u>	 <u><u>\$ 9,291</u></u>

**NOTE 4      PROPERTY AND EQUIPMENT**

Leasehold Improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Leasehold Improvements	\$2,375,884	\$2,113,480
Less: Accumulated Depreciation	<u>(1,480,007)</u>	<u>(1,427,732)</u>
Building & Improvements - Net	<u><u>\$ 895,878</u></u>	<u><u>\$ 685,748</u></u>

Equipment	\$ 80,427	\$ 80,427
Less: Accumulated Depreciation	<u>(76,007)</u>	<u>(73,797)</u>
Equipment - Net	<u>\$ 4,420</u>	<u>\$ 6,630</u>

NOTE 5      **RETIREMENT PLAN**

The Mendocino County Retirement Association is a multiple employer defined benefit pension plan serving the employees of the County of Mendocino and two special districts. The Association was established under the County Employees Retirement Act of 1937, as amended. The plan is totally controlled and governed by a nine-member retirement board and is available to essentially all full-time employees of the County and certain special districts. Members of the board are appointed as follows; four members are appointed by the Board of Supervisors, two members are elected by general county employees, one member is elected by county retirees, and one member is the County Treasurer who is an ex-officio board member and administrator of the retirement system. Employees of the County and the special districts, as well as the County, contribute to the plan.

NOTE 6      **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONVILLE, CALIFORNIA**

**REPORT DISTRIBUTION**

<u>Number</u>	<u>Recipient</u>
1	President, Mendocino County Fair Board of Directors
1	Chief Executive Officer, Mendocino County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE  
AUDIT OFFICE



MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONVILLE, CALIFORNIA

MANAGEMENT REPORT #08-057

YEAR ENDED DECEMBER 31, 2007

MENDOCINO COUNTY FAIR AND APPLE SHOW  
BOONVILLE, CALIFORNIA

MANAGEMENT REPORT  
YEAR ENDED DECEMBER 31, 2007

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AUDIT STAFF

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Ron Shackelford, CPA  
Shakil Anwar, CPA  
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Audit Chief  
Assistant Audit Chief  
Auditor

MANAGEMENT REPORT NUMBER  
#08-057

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CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Frank Wyant, President  
Board of Directors  
Mendocino County Fair and Apple Show  
P.O. Box 458  
14400 Highway 128  
Boonville, California 95415

In planning and performing our audit of the financial statements of the Mendocino County Fair and Apple Show, Boonville, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Mendocino County Fair and Apple Show with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the Mendocino County Fair and Apple Show's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the Mendocino County Fair



and Apple Show's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the Mendocino County Fair and Apple Show in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The Mendocino County Fair and Apple Show's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the Mendocino County Fair and Apple Show's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the Mendocino County Fair and Apple Show and compliance with state laws and regulations, we identified five areas with reportable conditions that are considered weaknesses in the Fair's operations: construction in progress, accounting for fixed assets, accounts receivable, change fund, and accounting for deferred revenue. We have provided eight recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the Mendocino County Fair and Apple Show's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

## REPORTABLE CONDITIONS

### CONSTRUCTION IN PROGRESS

During the examination of Account #190, Construction in Progress, our office noted that Account #190 was overstated by \$37,151. The Fair's Account #190, Construction in Progress, included costs from capital projects which have already been completed and placed in service. The Fair did not reconcile the project costs reported in Account #190, against the closed project reconciliation worksheets prepared by the California Construction Authority (CCA). As a result of this accounting error, the overall Account #291, Net Resources—Operations, was overstated in the year-ending financial reports.

#### *Recommendations*

- 1. The Fair should make all the necessary correcting journal entries to ensure Account #190, Construction in Progress, is fairly stated in the Fair's accounting records.*
- 2. Prior to closing the accounting period at year-end, the Fair should review all costs in Account# 190, Construction in Progress, for appropriateness. The account should only contain costs related to open capital projects. All costs related to capital projects that have been completed should be removed upon completion of the project.*

### ACCOUNTING FOR FIXED ASSETS

The Fair's accounting records for fixed assets were analyzed and the following internal control weaknesses were identified:

- a. The Fair understated Account #194.1, Accumulated Depreciation - Leasehold Improvements, by \$5,498. Our office noted the balance recorded in the Fair's property ledger and related depreciation schedule of \$1,522,432 for Account #194.1 did not agree to the general ledger balance of \$1,474,508. Since the Fair did not reconcile its property ledger to the related general ledger account prior to closing its accounting records at the year-end, the variance of \$47,924 was noted. As a result our office prepared a depreciation schedule analysis to determine the correct balance to be reported. It was noted that the correct balance to be reported for Account #194.1, Accumulated Depreciation - Leasehold Improvements, is \$1,480,006. We noted that the Fair did not use the current deprecation conversion worksheet and incorrectly omitted an additional year in service of Leasehold and Improvements. As a result of this accounting error the Fair understated Account #194.1 by \$5,498 causing, overall Account #291, Net Resources, to be understated at the year end 2007.
- b. The Fair did not properly capitalize the correct historical cost for the Grandstand Flooring Project Phase I. The total cost reported in the project closeout reconciliation provided by the California Construction Authority (CCA) did not reconcile to the Fair's related property ledger by \$10,403. Thus, Account #192, Buildings & Improvements, was overstated by the \$10,403, and the related accumulated

depreciation account and depreciation expense were also overstated by an immaterial amount.

#### *Recommendations*

3. *The Fair should improve its accounting for fixed assets by ensuring that both the general ledger and depreciation schedule amounts are in agreement. If they are not in agreement, the Fair should take necessary steps to resolve the differences. In the future, the Fair should place more emphasis on ensuring that their property ledger and related depreciation schedule are adequately updated and reconciled to reflect the fair value of related assets prior to closing the accounting period and preparing the year-end accounting reports. This process will benefit the Fair, since it will result in the preparation of a more accurate Statement of Operations (STOP).*
4. *The Fair should review the CCA project closeout reconciliation when capitalizing an asset. This process will help ensure the correct historical cost is reported in the Fair's general ledger.*

### **ACCOUNTS RECEIVABLE**

The Fair overstated Account #291, Net Resources, by not establishing an allowance for doubtful accounts at year-end for approximately \$10,496 of accounts receivable balances outstanding since 2004 and 2005 that were deemed uncollectible. Generally Accepted Accounting Principals (GAAP) requires an allowance for doubtful accounts to be established in the accounting records when it is determined that an account is uncollectible. This adjustment presents the fair's assets more accurately.

#### *Recommendation*

5. *The Fair should make the necessary correcting journal entry to ensure Account # 131, Accounts Receivable, is fairly stated in the accounting records. In the future, the Fair should periodically review its accounts receivable balances for collectability. An allowance for doubtful accounts should be established for any balances that are deemed uncollectable.*

### **CHANGE FUND**

Our office noted that the Fair exposed itself to loss by not properly handling cash for its change fund operations during fairtime. One employee acquired cash totaling \$85,160 from various sources in order to replenish the automatic teller machine (ATM) throughout the three-day fair. The Fair acquired cash from vendors, friends and family, and wrote checks from their operating account on behalf of the change fund to repay the money. In addition, no proper documentation was prepared to track the exact amount taken from outsiders for whom the checks had been written.

*Recommendations*

6. *The Fair should take additional precautions when handling large amounts of cash during fairtime. The Fair should have at least two people in charge of handling cash more than \$3,000. This will help protect the integrity of the individual handling large amounts of cash.*
7. *The Fair should ensure it only uses its own funds to replenish the ATM. Furthermore, a clear audit trail should exist when the currency is transported to and from ATM.*

**ACCOUNTING FOR DEFERRED REVENUE**

Our office noted that the Fair overstated Account #228, Deferred Income, by \$5,752 at year-end. The Fair did not record any transactions to the general ledger account in 2007. Our office examined related supporting documentation and determined the correct balance to be \$21,889. This amount is \$5,752 lower than the balance reported in Account #228 on the year-end financial statements.

*Recommendation*

8. *The Fair should ensure all liability accounts, including Account #228, Deferred Revenue, are fairly stated at year-end. The Fair should ensure that they reconcile the balance in Account #228 to detailed supporting documentation prior to closing the accounting period and preparing the year-end financial reports.*

## NON-REPORTABLE CONDITIONS

### CARNIVAL REVENUE

An examination of the Fair's controls over carnival revenue identified the following internal control weaknesses:

- a. The Fair made changes to the terms of the original contract with its carnival operator; however, our office noted the amended terms and conditions were not initialed and dated by both parties. Having both parties initial and date amendments to contracts protects the Fair in case a dispute arises at a later date.
- b. The Fair exposed itself to loss by not having the carnival contractor sign the carnival settlement sheet. The APM requires both the fair and the contractor to sign the carnival settlement sheet. These signatures verify that the settlement sheet is reviewed and approved by both parties prior to any final monetary settlement.

#### *Recommendations*

*The Fair should ensure that any changes made to the original contract are documented. The Fair either can make changes on the original contract and have both parties initial and date it, or an amended contract should be prepared reflecting new terms and conditions.*

*The Fair should review the final settlement sheet from the carnival contractor for accuracy. The Fair and the carnival contractor should then sign the settlement sheet indicating acceptance of the total revenues reported and amount due to the Fair.*

### NON-MONETARY ASSETS

Our office noted that the Fair did not properly identify their non-monetary assets. According to APM, all moveable items regardless of whether capitalized or expensed, should be controlled, identified, and tagged with appropriate property identification tags. The purpose of this procedure is to discourage the theft or loss of these items.

#### *Recommendation*

*All moveable property or equipment must be permanently stamped, tagged, or marked so that it may be readily identified as belonging to the Fair.*

### CASH RECEIPTS

The Fair exposed itself to loss by not always depositing cash receipts on a timely basis. The Accounting Procedures Manual, Section I § 2.331 states that the Fair is to make bank deposits the next business day whenever cash exceeds \$500, or cash in the aggregate exceeds \$5,000. The Fair allowed a few cash deposits exceeding \$5,000 to remain undeposited for up to eight days after the threshold amounts were reached.

*Recommendation*

*The Fair should ensure that it deposits cash receipts within the timeframes specified in the APM. The timely deposit of cash receipts helps minimize the risk of loss or other misuses of the cash or cash equivalents collected.*

**COUNTY FAIR ASSOCIATION'S RESPONSE**



# Mendocino County Fair and Apple Show

BOONVILLE, CALIFORNIA 95415

July 30, 2008

C.D.F.A. Audit Office  
Ron Shackleford, Chief Audit Office  
1220 N. Street, Room 344  
Sacramento, CA 95814

Dear Ron,

The purpose of this letter is our written response to the C.D.F.A. Audit Report #08-057.

The four (5) areas of reportable conditions identified by your staff (Samprit Kaur) and our response on how the recommendations will be implemented are as follows.

## Accounts Receivable

1) We are setting up allowance for doubtful accounts and making Journal entries in Acct. #131 to fairly show accounts receivable.

## Change Fund

2) It was during the three day music festival we withdrew \$60,000 for the change fund for the ATM. On Saturday night and Sunday I realized I would not have enough funds to keep the ATM operating. There are no banks in Boonville and no way to get addition funds from our change fund account. I went to vendors and family to keep ATM operating.

This year I got enough money out of change fund so I didn't and won't in the future have to ask vendors for money.

## Construction in Progress

3) There was a misunderstanding of how to fill out construction in progress form. Which in turn lead us to over state Account #190. The Auditor showed us the proper way. This will allow us to properly account for all funds. A journal entry will be made to correct Account #190.

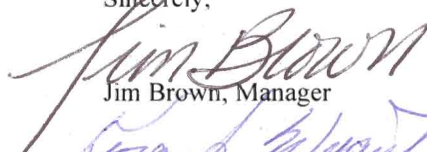
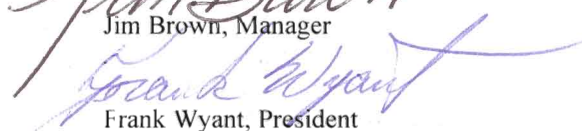
## Accounting for Fixed Assets

4) The audit office helped us setup our Depreciation Schedule in 2005. We were still using this template with its calculations. It was brought to our attention during 2007 audit that our formulas were wrong for calculating depreciation. We have since corrected the formula on the depreciation schedule and made the corrections on depreciation schedule.

## Accounting for Deferred Revenue

5) We were informed by F & E to use Account #340 for the ATM revenue and Emergency funds. We will use Account # 49530 for these funds in the future.

Sincerely,

  
Jim Brown, Manager  
  
Frank Wyant, President

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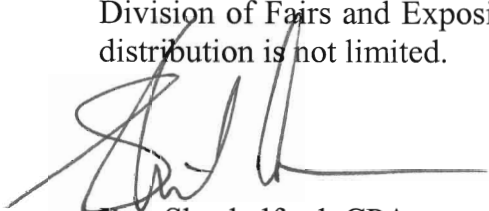
**CDFA EVALUATION OF RESPONSE**

A draft copy of this report was forwarded to the management of the Mendocino County Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

### DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between May 19, 2008 and May 30, 2008. My staff met with management on May 30, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA  
For Chief, Audit Office

May 30, 2008

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